

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, DC**

THE U.S.-EU BANANA AGREEMENT

Frequently Asked Questions

APRIL 11, 2001

How did the United States-European Union banana dispute begin?

This dispute began with the creation of the European Union's single market in 1993. In order to eliminate internal barriers between EU member countries, the EU felt it needed to adopt a single banana regime. The regime it created erected new barriers to bananas exported from Latin America and marketed by U.S. companies. The regime also took export opportunities away from U.S. companies and gave them to EU companies.

Why has the U.S. objected to European quotas that were designed to benefit poor African and Caribbean countries?

ACP countries (Africa, Caribbean, Pacific) received few of the benefits of the European quota regime. The structure of the EU regime took marketshare from U.S. companies and Latin American countries that had historically supplied the European market.

What is the WTO and GATT history of this dispute?

In 1992, even before the EU regime entered into force, several Latin American nations successfully challenged it in the GATT. The EU ignored the GATT's findings. After several years of negotiations failed to secure relief for U.S. companies and Latin exporters, the United States and five other Latin America countries filed a case against the EU banana regime in 1997. The WTO also found the EU's regime to be inconsistent with international trade rules. In 1998, the EU adopted cosmetic changes to its regime. In 1999, the WTO ruled that these changes did not rectify the system's flaws. In view of the EU's continued noncompliance with the original findings, the WTO authorized the U.S. to impose retaliatory sanctions on \$191 million of EU exports. These trade sanctions have been in place since that time, and will be suspended in accordance with today's agreement.

When does this agreement take effect?

The EU is taking immediate steps to put the agreement in effect. U.S. companies will begin to see the

benefits of this agreement on July 1, 2001. The U.S. will suspend its sanctions as soon as the increased license allocations, as envisaged in this agreement, are made. The U.S. will terminate its sanctions upon the definitive adoption of a new EU regulation.

What benefits will this agreement provide for U.S. companies?

The Office of the U.S. Trade Representative calculates that U.S. firms will obtain a substantial increase in the volume of bananas they are able to import into the European market with the implementation of the historical system provided for in this agreement.

Has this agreement been reached at the expense of the Caribbean and African countries?

As part of this agreement, the U.S. will join the EU in obtaining a waiver of WTO rules in order to allow the EU to reserve a fixed quantity of bananas exclusively for ACP countries. This guarantee will give banana producers in ACP countries more assurance in the EU market than they would have had under the EU regime that was scheduled to go into effect later this year. The U.S. Government is committed to work through the normal WTO process on the EU's request for waivers. These waivers will allow the EU to provide tariff preferences on ACP exports to the EU.

Does this agreement come with any commitments relative to other U.S.-EU trade disputes, and will it lead to settlement of other U.S.-EU disputes?

No. This is a freestanding agreement to resolve this trade dispute. It has been reached entirely on the merits. The U.S. and the EU have cooperated closely in order to find a resolution to one of their longest-running trade disputes. With this agreement in place, we are hopeful that we can bring this same spirit to bear on other areas of difference and to find common ground in opening new trade opportunities for workers and industries in our countries.

Is this agreement consistent with the WTO?

Full WTO compatibility was a prior requirement for both sides. The agreement is WTO compatible, subject to WTO authorization.

Is the U.S. confident that EU member states will comply with this agreement?

Yes.

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